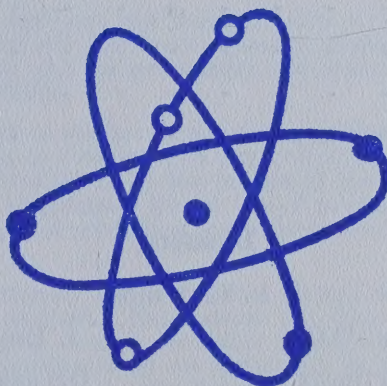


QUEBEC MATTAGAMI MINERALS LIMITED



*Annual Report
to the
Shareholders*

FOR THE FISCAL YEAR ENDED DECEMBER 31st, 1967

QUEBEC MATTAGAMI MINERALS LIMITED

Officers

President - - - - - J. L. C. JENNER
Vice-President - - - - - WILMOT L. MATTHEWS
Secretary - - - - - R. A. CRANSTON, Q.C.
Treasurer and Assistant Secretary - - - - - E. A. PIGULSKI

Directors

J. L. C. JENNER
R. A. CRANSTON, Q.C. J. DOUGLAS STREIT
WILMOT L. MATTHEWS DELBERT R. WILSON

Transfer Agent and Registrar GUARANTY TRUST COMPANY OF CANADA
88 University Avenue, Toronto 1, Canada

Auditors McCORMACK, BARKER & WESBROOK

Bankers CANADIAN IMPERIAL BANK OF COMMERCE

Solicitors LANG, MICHENER, CRANSTON,
FARQUHARSON & WRIGHT

Head Office

Suite 1705 - 80 Richmond St. West
TORONTO 1, CANADA

ANNUAL MEETING

The Annual Meeting will be held on Monday, January 29, 1968 at 10 a.m. Toronto Time in the New Brunswick Room, Royal York Hotel, Toronto, Canada.

QUEBEC MATTAGAMI MINERALS LIMITED

Report of the Directors

Your Directors submit herewith the Annual Report of the Company for the year ended December 31st, 1967, which includes the Balance Sheet, Auditors' Report and Statement of Exploration and Administrative Expenses.

AGNEW LAKE MINES LIMITED

As reported previously the uranium property in Hyman Township, Ontario, owned 80% by Kerr Addison Mines Limited and 20% by Quebec Mattagami Minerals Limited has been transferred to Agnew Lake Mines Limited, a company incorporated by Kerr Addison in the late Spring of 1967. Earlier in the year Kerr Addison announced its decision to bring the property into production.

Late last year a summary of a technical and financial study of Agnew Lake Mines Limited prepared by David S. Robertson & Associates Limited was sent to all registered shareholders of Quebec Mattagami. A copy of this report is enclosed. It will be noted that the preliminary cost estimate to bring the property into production at a rate of 3,000 tons per day is \$33,200,000.

Work has been proceeding steadily in the last six months and only minor delays in the programme have been experienced. Shaft sinking is scheduled to commence in April when the power line is completed. Underground development work will be carried out above the 1,500 foot horizon in conjunction with the sinking programme when the shaft reaches that depth next Fall. Negotiations for the sale of production have been carried on for some time. With at least 3 years until commencement of production expectations are that a very satisfactory price for uranium concentrates will be obtained.

With the decision to bring the property into production, Quebec Mattagami was faced with the necessity of raising its proportion of the monies required. Negotiations for these funds (\$6,640,000 aside from possible over-runs) were carried on from September through December during a period of tight money and difficult money markets. Arrangements were further complicated by the uncertainty of the money market throughout the balance of the 1960's. Notwithstanding these problems, your Board is pleased to announce completion of arrangements for these funds with Anglo American Corporation of Canada Limited (Amcan), a subsidiary of Anglo American Corporation of South Africa, one of the world's major mining complexes. Amcan will provide 20% of the first \$33,000,000 required and arrangements have been made to provide for the financing of possible over-runs. In addition Amcan will loan Quebec Mattagami \$150,000 on the security of a 6½% Convertible Income Debenture to provide needed working capital and enable Quebec Mattagami to continue as a mineral exploration company. Details of the agreement with Amcan are fully set forth in the material accompanying the Notice of Meeting. The effect of the arrangements with Amcan has been to obtain for Quebec Mattagami a 10% carried interest in the Agnew Lake Property which is subject only to a modest dilution in the event of substantial over-runs which cannot be financed directly by Agnew Lake Mines Limited.

DESTOR TOWNSHIP, QUEBEC

No work was done on this property during 1967 although the property remains in good standing.

GASPE PARK AREA, QUEBEC

The group of 25 claims was allowed to expire when a ground follow-up programme failed to indicate any mineralization of economic importance.

ST. SIMEON AREA, QUEBEC

This property, of approximately 7,000 acres, has been retained following an airborne radiometric survey which indicated a number of interesting anomalies. The company's consulting geologist has recommended that in the Spring a prospecting crew be sent in to locate the various radioactive highs, which should then be examined by a geologist and evaluated by trenching and sampling. Diamond drilling will be carried out if warranted.

Your Directors urge shareholders to send in their proxies so that their shares can be voted to approve and confirm the agreement entered into with Amcan at the meeting of shareholders to be held January 29th, 1968.

On Behalf of the Board of Directors,

J. L. C. JENNER,
President.

Toronto, Canada,
January 9th, 1968.

QUEBEC MATTAGAMI

(Incorporated under the Law

Balance Sheet as at (with comparative figure

ASSETS

	1967	1966
CURRENT ASSETS		
Bank Balances	\$ 51.19	\$ 36,525.54
INVESTMENT IN OTHER COMPANY (Notes 1 and 2)		
150,000 Shares Agnew Lake Mines Limited	\$ 201,070.92	
Mining Properties — at cost (Note 3)	\$ 60,110.00	\$ 65,850.00
Interest in Mining Properties — at cost		3,060.00
	60,110.00	68,910.00
Buildings — at appraised value (Note 4)	4,500.00	4,500.00
	\$ 64,610.00	\$ 73,410.00
DEFERRED CHARGES		
Shaft Sinking	\$ 79,454.76	\$ 79,454.76
Exploration and Administrative Expenses — per Schedule	586,600.20	775,345.57
Organization Expense	1,859.65	1,859.65
	667,914.61	856,659.98
Approved on behalf of the Board:		
J. L. C. JENNER, Director.		
R. A. CRANSTON, Director.		
	\$ 933,646.72	\$ 966,595.52

AUDITORS' REPORT T

We have examined the Balance Sheet of Quebec Mattagami Minerals Limited as at December 31, 1967 and the Statements of Exploration and Administrative Expenses, Deficit and Source and Application of Funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Toronto, Ontario,
January 10, 1968.

MINERALS LIMITED

(the Province of Ontario)

December 31, 1967

December 31, 1966)

LIABILITIES

CURRENT LIABILITIES	1967	1966
Accounts Payable (Note 5)	\$ 3,477.38	\$ 11,354.77
Owing to Director		440.09
Directors' Fees Payable	2,300.00	
	<u>5,777.38</u>	<u>11,794.86</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (Note 6)		
Authorized 7,000,000 Shares Par Value \$1.00 each		
Issued Fully Paid		
2,499,500 Shares	2,499,500.00	2,499,500.00
Deduct Discount Thereon	1,070,195.50	1,070,195.50
	<u>1,429,304.50</u>	<u>1,429,304.50</u>
Deficit — per Schedule	501,435.16	474,503.84
	<u>927,869.34</u>	<u>954,800.66</u>
	<u>\$ 933,646.72</u>	<u>\$ 966,595.52</u>

The attached Notes to the Financial Statements are an integral part of the above statement.

THE SHAREHOLDERS

In our opinion, the above mentioned financial statements present fairly the financial position of the Company as at December 31, 1967 and the results of its operations and the source and application of its funds for the year ended on that date in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

McCORMACK, BARKER and WESBROOK,
Chartered Accountants.

QUEBEC MATTAGAMI MINERALS LIMITED

STATEMENT OF EXPLORATION AND ADMINISTRATIVE EXPENSES

For the Year Ended December 31, 1967
(with comparative figures for the year 1966)

	1967	1966
Balance, beginning of the year	<u>\$775,345.57</u>	<u>\$738,707.73</u>
DEDUCT		
Prior Years' Exploration Expenditures on Abandoned Mining Properties — Written Off ..	6,125.85	
Exploration Expenditures from 1954 to 1966 on Claims transferred to Agnew Lake Mines Limited (Note 1)	<u>203,122.75</u>	
	<u>209,248.60</u>	
	<u>\$566,096.97</u>	<u>\$738,707.73</u>
EXPLORATION EXPENSES		
Diamond Drilling		1,688.95
Assaying	63.25	598.10
Line Cutting		1,217.74
Camp Expense		175.00
Geophysical Surveys	2,140.00	11,162.23
Aerial Surveys	2,397.50	5,674.62
Engineering and Supervision	7,998.17	2,921.71
Maps and Blueprints	34.36	289.47
Mining Taxes and Licenses	3,364.50	1,221.00
Insurance	<u>110.17</u>	<u>139.49</u>
	<u>16,107.95</u>	<u>25,088.31</u>
DEDUCT		
Current Year's Exploration Expenditures on Abandoned Mining Properties—Written Off ..	2,295.47	
Current Year's Exploration Expenditures on Claims transferred to Agnew Lake Mines Limited (Note 1)	<u>7,648.17</u>	
	<u>9,943.64</u>	
	<u>6,164.31</u>	<u>25,088.31</u>
ADMINISTRATIVE EXPENSES		
Head Office Services and Rent	3,600.00	3,150.00
Directors' Fees	2,300.00	
Accounting Fees		450.00
Legal and Audit Fees	4,290.25	3,651.23
Reports to Shareholders	2,415.02	2,917.82
Filing Fees and Corporations Taxes	262.41	395.00
Transfer Agents' Fees	1,486.89	1,658.46
Share Certificates	381.02	715.62
Office Supplies and Expenses	31.40	409.33
Telephone and Telegraph	44.33	94.56
Bank Charges	<u>4.65</u>	<u>1.07</u>
	<u>14,815.97</u>	<u>13,443.09</u>
	<u>20,980.28</u>	<u>38,531.40</u>
DEDUCT — Interest Earned	<u>477.05</u>	<u>1,893.56</u>
	<u>20,503.23</u>	<u>36,637.84</u>
Balance, end of the Year	<u><u>\$586,600.20</u></u>	<u><u>\$775,345.57</u></u>

QUEBEC MATTAGAMI MINERALS LIMITED

STATEMENT OF DEFICIT For the Year Ended December 31, 1967 (with comparative figures for the year 1966)

	1967	1966
Deficit, beginning of the year	\$474,503.84	\$474,503.84
ADD		
Mining Properties Abandoned	5,750.00	
Prior Years' Exploration Expenditures on Abandoned Mining Properties	6,125.85	
Current Years' Exploration Expenditures on Abandoned Mining Properties	2,295.47	
Profit on Sale of 80% Interest in Mining Properties Transferred to Investment in Other Company (Note 1)	12,760.00	
Deficit, end of the year	<u>\$501,435.16</u>	<u>\$474,503.84</u>

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the Year Ended December 31, 1967
(with comparative figures for the year 1966)

SOURCE OF FUNDS	1967	1966
Interest Earned — Bank	\$ 477.05	\$ 1,893.56
APPLICATION OF FUNDS		
Exploration Expenses	16,107.95	25,088.31
Administrative Expenses	14,815.97	13,443.09
Acquisition of Mining Claims	10.00	6,850.00
	<u>30,933.92</u>	<u>45,381.40</u>
DECREASE IN WORKING CAPITAL	30,456.87	43,487.84
WORKING CAPITAL BEGINNING OF YEAR	24,730.68	68,218.52
WORKING CAPITAL (DEFICIENCY) END OF THE YEAR	<u>\$ (5,726.19)</u>	<u>\$ 24,730.68</u>

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 1967

Note 1.

Under the terms of agreements dated March 31, 1965 and April 7, 1965 the Company transferred its 20% interest in twenty-six mining claims in Hyman Township, Province of Ontario and received 150,000 shares of Agnew Lake Mines Limited as consideration therefor. The amount at which these shares are carried was computed as follows:

Cost of 20% interest in Agnew Lake Claims	\$ 3,060.00
Exploration Expenditures from 1954 to 1966	203,122.75
Exploration Expenditures for 1967	7,648.17
Deduct	<u>213,830.92</u>
Profit on Sale of 80% Interest in Agnew Lake Claims	12,760.00
	<u>\$201,070.92</u>

Note 2.

Under the terms of agreements dated December 28, 1967 and January 2, 1968, which are subject to the approval of the shareholders, the Company has agreed to assign 75,000 shares of Agnew Lake Mines Limited to another company in consideration of the other company undertaking to carry out the participation of this company in the financing of Agnew Lake Mines Limited.

Note 3.

During the year 25 mining claims in Deville and Lesseps Townships, Quebec and 30 mining claims in Hainaut Township, Quebec held under development licenses and carried at costs of \$5,750.00, were abandoned.

Note 4.

Buildings are valued on the basis of an appraisal made on September 6, 1960, by Alan C. Lee, Mining Engineer. The difference between book value at September 6, 1960, and appraised value at that date has been charged to the Deficit Account.

Note 5.

If and when the transactions contemplated by the agreements dated December 28, 1967 and January 2, 1968 close a special fee of \$5,000.00 will be paid to the President of the Company for his services in arranging financing for the Company and a commission of \$10,000.00 will be paid to the company by whom the President is employed and it may be that the President will receive a portion of this commission.

Note 6.

Under the terms of agreements dated December 28, 1967 and January 2, 1968, which are subject to the approval of the shareholders the Company has arranged to borrow \$150,000.00 to be used primarily for approved mineral exploration. The loan is to be secured by an income debenture of the Company upon the interests of the Company in Agnew Lake Mines Limited bearing interest at 6½% per annum. Such debenture is to be convertible for shares of the Company at \$1.00 per share at any time up to and including December 31, 1972 and failing conversion is to be repayable in three equal semi-annual instalments of \$50,000.00 each commencing on June 30, 1973. The debenture will also contain restrictions on further borrowing by the Company and provisions proportionately increasing the number of shares issued to the debenture holder in the event that the Company issues or agrees to issue further treasury shares prior to conversion.

SUMMARY OF TECHNICAL AND FINANCIAL STUDY

AGNEW LAKE MINES LIMITED

prepared by

DAVID S. ROBERTSON & ASSOCIATES LIMITED

CONSULTING GEOLOGISTS & MINING ENGINEERS

TORONTO 1, CANADA

13 October, 1967

INTRODUCTION

At the request of the management of Quebec Mattagami Minerals Limited we undertook a detailed technical and financial study of Agnew Lake Mines Limited, which company is owned 80% by Kerr Addison Mines Limited and 20% by Quebec Mattagami Minerals Limited. This report is a summary of this study.

In the course of completing our research we had access not only to all technical data and cost estimates of the project managers, Kerr Addison Mines Limited, but also to the benefit of discussions with that company's executives and geologists. In addition, as consulting geologists on the project for the past three years, we are familiar with exploration and development work performed and proposed and with the geology of the property. The conclusions and opinions expressed in this report are our own based on the above information and from our own research and studies, particularly as to the probable price of uranium oxide during the 1970's. Our comments may be regarded as our best assessment of the matters discussed on the basis of data currently available and assumptions and forecasts which we believe reasonable. We have endeavoured, as requested, to be realistic.

SUMMARY

We estimate that the Agnew Lake Mine can be brought into production by early 1971 with a capacity of one million tons of ore per year for a capital cost of \$33,200,000. Operating costs at that time are estimated at \$7.50 per ton. Our analysis indicates repayment of capital costs within the first two and one-half years and a net profit of about \$60,000,000, after payment of all debt, in the first ten years of production. Our calculations are based on the estimated ore reserves within the twenty-six claims in Hyman Township, Ontario, acquired by Agnew Lake Mines Limited from Quebec Mattagami Minerals Limited and do not include any reserves on property owned exclusively by Kerr Addison Mines Limited.

ORE

Four feldspathic quartzite zones carrying radioactive conglomerate are known on the property and it is anticipated that additional zones will be found as drilling is carried out from underground at greater depth. The conglomerates carry economic values in uranium and high values in thorium and rare earths. In general the thorium and rare earth contents of the reefs are significantly higher than that in the reefs at Elliot Lake, where the ore zones are geologically similar but lie more or less horizontal as opposed to the very steeply dipping ore zones on the Agnew Lake Mines Limited property. The average Th/U ratio in the ore of Agnew Lake Mines Limited is greater than 2 while at Elliot Lake the ratios are normally about 1. Rare earth content may be as much as five times higher than in the Elliot Lake ores.

RESERVES

Indicated ore reserves are sufficient (if proved as expected by detailed underground drilling) to provide mill feed at the rate of one million tons per year for at least ten years. These reserves have been calculated to a depth dictated by the deepest intersections in each zone.

DRILL INDICATED TONNAGE

	Average Grade U_3O_8 lbs./ton	Average True Width Ore (ft.)	Tons Ore	Pounds U_3O_8
1.8 lbs. plus	2.25	8.7	3,365,000	7,560,000
1.25-1.5 lbs.	1.41	12.0	2,411,000	3,409,000
1.00-1.25 lbs.	1.08	7.8	4,656,000	5,053,000
TOTAL	1.54	9.2	10,432,000	16,022,000

INFERRED TONNAGE

	Grade (lbs.)	True Width (ft.)	Tons Ore	Pounds U ₃ O ₈
Enclave Ore	2	9	500,000	1,000,000
2 Zone below 800 ft. and above 2400 ft.	1	5	1,000,000	1,000,000

On the basis of what is known about the conglomerates, the higher grade 3 and 5 zones, and possibly other known zones, will continue to greater depths than that to which they have been calculated for inclusion in drill indicated reserves. It is possible that the tonnage on the property may double should 3 zone continue as currently known and should 5 zone develop as expected. Furthermore, each additional new commercial zone will add appreciably to the over all eventual reserves. With data currently available it is not possible to calculate what the character of the ultimate tonnage will be. Over all grade will improve as the heavy influence of the rather low grade 2 zone is reduced by the development of higher grade ore at depth in the better zones.

ECONOMICS

Our studies of the supply demand relationship in the uranium industry indicate that by 1971 the price of uranium will exceed \$9.00 per pound U.S. and may exceed \$10.00 per pound U.S. Comments by responsible authorities appear to agree with this and the price on the free U.S. market is now in excess of \$7.50 per pound U.S. for 1969 deliveries. During the 1970's the price of uranium is expected to rise beyond these levels. This price rise will be caused in part by an increasing awareness of an ultimate shortage of reserves at less than \$10.00 per pound. The more immediate cause, however, will be shortage of productive capacity to deliver at rates required by the growing market.

Uranium in the ores largely occurs in minerals that are soluble. Initial leach tests performed on drill core rejects suggests that uranium recovery from the ores will be in the range of 95 percent of the head grades.

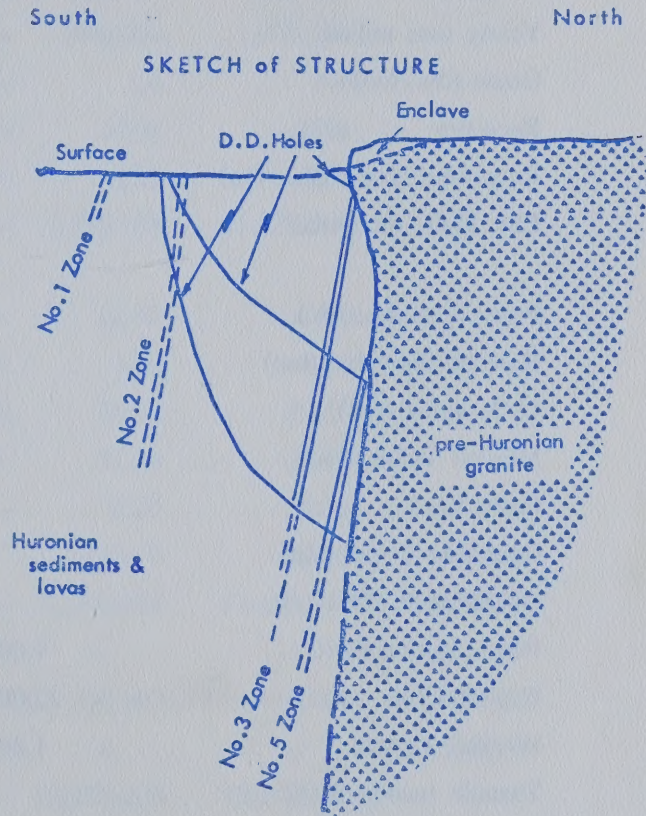
The rare earths occur in the ores in the same way as thorium, part goes into solution in the leach and part does not. Further work is required to define how much yttrium can be recovered. Preliminary work suggests that a volume such as to yield a minimum of \$1.00 per ton milled may be recoverable.

OPERATING COSTS

Costs per ton of ore are expected to be less than those applicable at Elliot Lake for three reasons. First, the fact that the ore is much more steeply dipping than that in the Elliot Lake camp will facilitate mining and reduce costs. Mining methods have not been detailed nor will they be until the underground development proposed is completed. Second, milling has the advantage of all of the Elliot Lake experience to draw upon. There is, for example, time for planning so that there will not exist design errors and waste inherent in the crash programs of the 1950's in the construction of uranium mills. Third, it appears that the ore is less fractious to treat than the Elliot Lake ores.

CASH FLOW CALCULATIONS

Cash flow and present worth calculations have been made using the latest data available. It has been assumed that the highest grade obtainable consistent with good mining practice will be processed in the tax free period.



David S. Robertson & Associates Ltd.
September 1967

CASH FLOW STATEMENT FOR

	Preproduction Period 4 Years	Year 1	Year 2	Year 3	Year 4
Yearly tons milled	—	1,000,000	1,000,000	1,000,000	1,000,000
Grade (lbs./ton)	—	2.23	2.23	2.23	1.6
Recovery	—	95%	95%	95%	95%
Recovered Grade (lbs./ton)	—	2.1	2.1	2.1	1.52
Lbs. U ₃ O ₈ recovered	—	2,100,000	2,100,000	2,100,000	1,520,000
(the following figures represent dollar amounts)					
Price (Canadian/lb.)	—	9.70	9.70	9.70	11.30
Rare Earths value (ton)	—	1.00	1.00	1.00	1.00
U ₃ O ₈ value (ton)	—	20.37	20.37	20.37	17.20
Mineral Value (ton)	—	21.37	21.37	21.37	18.20
Costs (ton)	—	7.73	7.73	7.73	8.31
Operating Profit (ton)	—	13.64	13.64	13.64	9.89
Operating Profit	—	13,640,000	13,640,000	13,640,000	9,890,000
Preproduction Costs	7,000,000	—	—	—	—
Capital Costs	22,000,000	—	—	—	—
Working Capital	1,200,000	—	—	—	—
Taxable Income PMT	—	7,370,000	7,370,000	7,370,000	3,620,000
PM Tax Estimates	—	784,000	784,000	784,000	348,000
Debenture Interest 7%	3,000,000	2,073,000	1,372,000	560,000	—
W/O Capital Costs	—	—	—	—	2,542,000
W/O Preproduction	—	—	—	—	7,000,000
Depletion Allowance	—	—	—	—	—
Taxable Profit—Dom.	—	—	—	—	—
Dominion Tax	—	—	—	—	—
Cash Flow	—	10,783,000	11,484,000	12,296,000	9,542,000
Cum. Debt Position	33,200,000	22,417,000	10,933,000	—	—
Cash Available after Debt Retirement	—	—	—	1,363,000	9,542,000
Residual Plant Value	—	—	—	—	—

NEW LAKE MINES LIMITED

Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	—
1.6	1.6	1.6	1.6	1.6	1.6	—
95%	95%	95%	95%	95%	95%	—
1.52	1.52	1.52	1.52	1.52	1.52	—
1,520,000	1,520,000	1,520,000	1,520,000	1,520,000	1,520,000	—
11.30	12.40	12.40	13.50	13.50	13.50	—
1.00	1.00	1.00	1.00	1.00	1.00	—
17.20	18.90	18.90	20.60	20.60	20.60	—
18.20	19.90	19.90	21.60	21.60	21.60	—
8.31	8.81	8.81	9.50	9.50	9.50	—
9.89	11.09	11.09	12.10	12.10	12.10	—
9,890,000	11,090,000	11,090,000	12,100,000	12,100,000	12,100,000	119,180,000
—	—	—	—	—	—	—
—	100,000	100,000	100,000	100,000	100,000	22,500,000
—	—	—	—	—	—	1,200,000
7,705,000	8,725,000	8,959,000	10,261,000	10,252,000	10,244,000	—
824,000	946,000	974,000	1,131,000	1,130,000	1,129,000	8,834,000
—	—	—	—	—	—	7,005,000
4,865,000	3,648,000	2,761,000	2,096,000	1,597,000	1,223,000	—
—	—	—	—	—	—	—
1,400,000	2,165,000	2,452,000	2,958,000	3,128,000	3,248,000	—
2,800,000	4,330,000	4,900,000	5,915,000	6,255,000	6,500,000	—
1,456,000	2,252,000	2,548,000	3,076,000	3,253,000	3,380,000	15,965,000
7,610,000	7,792,000	7,468,000	7,793,000	7,617,000	7,491,000	—
—	—	—	—	—	—	—
7,610,000	7,792,000	7,468,000	7,793,000	7,617,000	1,200,000 7,491,000 2,000,000	59,876,000
—	—	—	—	—	—	2,000,000

prepared by DAVID S. ROBERTSON & ASSOCIATES LIMITED

AGNEW LAKE MINES LIMITED

in the AGNEW LAKE MINING AREA - ONTARIO

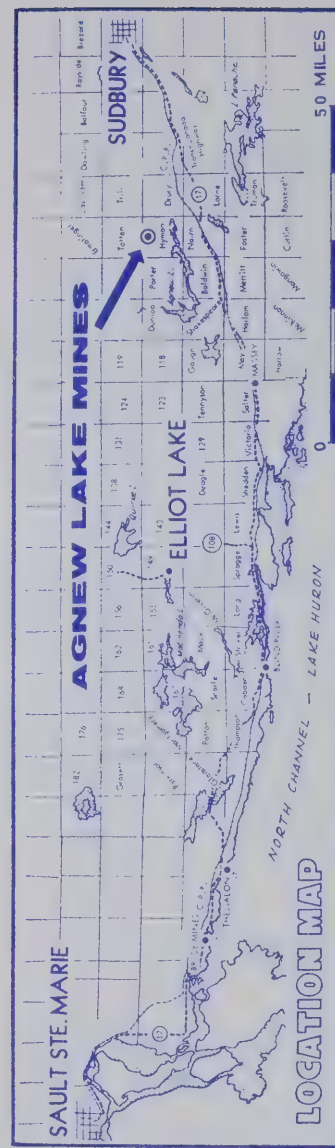
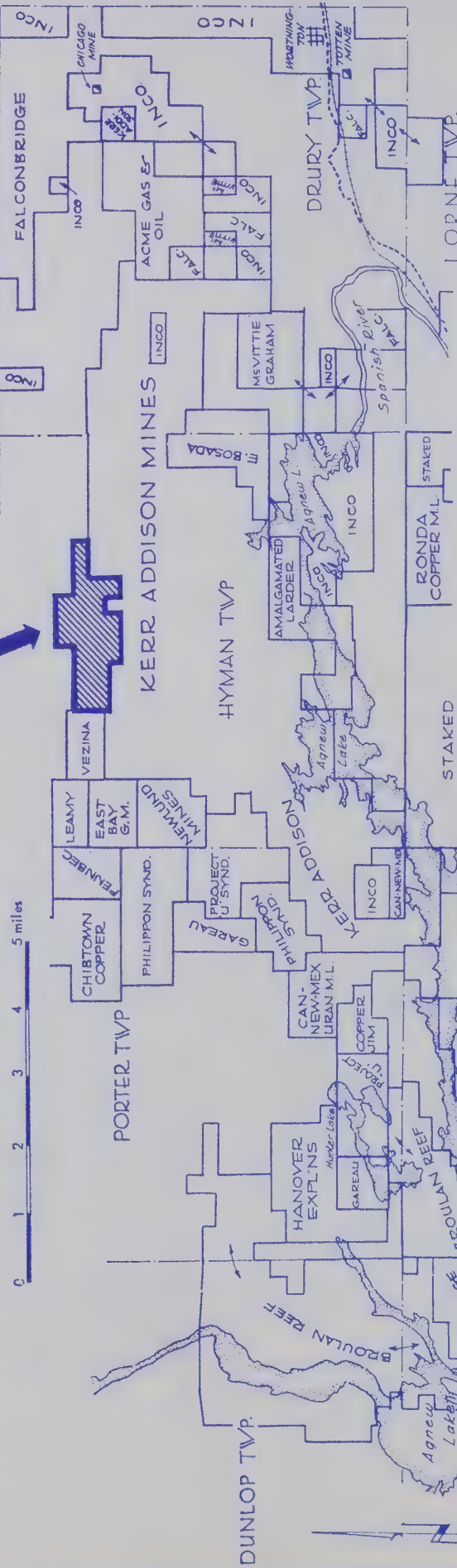
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RELIABLE BUT INDIVIDUAL OWNERSHIP AND EXACT LOCATIONS
ARE NOT CERTIFIED. THIS MAP IS NOT TO BE REPRODUCED
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WRITTEN PERMISSION OF W. LANGRIDGE, JR. WITHIN THE
LANGRIDGE LIMITED

Oct. 19, 1967

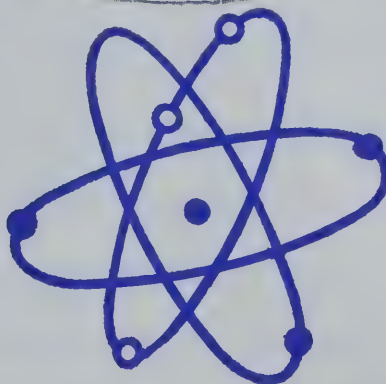
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QUEBEC MATTAGAMI MINERALS
LIMITED



Annual Report
to the
Shareholders

FOR THE FISCAL YEAR ENDED DECEMBER 31st, 1968

QUEBEC MATTAGAMI MINERALS LIMITED

Officers

President - - - - - J. L. C. JENNER
Vice-President - - - - - WILMOT L. MATTHEWS
Secretary - - - - - R. A. CRANSTON, Q.C.
Treasurer and Assistant Secretary - - - - - E. A. PIGULSKI

Directors

J. L. C. JENNER

R. A. CRANSTON, Q.C.

J. DOUGLAS STREIT

WILMOT L. MATTHEWS

DELBERT R. WILSON

Transfer Agent and Registrar GUARANTY TRUST COMPANY OF CANADA
88 University Avenue, Toronto 1, Canada

Auditors McCORMACK, PARKER & HESTER

Bankers CANADIAN IMPERIAL BANK OF COMMERCE

Solicitors LANG, MICHENER, CRANSTON,
FARQUHARSON & WRIGHT

Head Office

Suite 1705 - 80 Richmond St. West
TORONTO 110, CANADA

ANNUAL MEETING

The Annual Meeting will be held on Monday, June 23, 1969 at 10 a.m. Toronto Time
in the New Brunswick Room, Royal York Hotel, Toronto, Canada.

QUEBEC MATTAGAMI MINERALS LIMITED

Report of the Directors

Your Directors submit herewith the Annual Report of the Company for the year ended December 31st, 1968, which includes the Balance Sheet, Auditors' Report and Statement of Exploration and Administrative Expenses.

AGNEW LAKE MINES LIMITED

Construction of permanent facilities to service the shaft sinking and initial mine development on its Hyman Township's uranium property have been completed. Expenditures to the end of 1968 amounted to \$8,300,000.

Shaft sinking has reached a depth of 2,100 feet with sinking continuing to the approximate target depth of 3000 feet. Cross-cutting has been commenced on the 900, 1300 and 1500 foot levels, and definitive drilling of the ore bodies is also under way. The program remained on schedule through 1968.

Every aspect of flow sheet design is favourable and results of metallurgical testing up to expectations.

Contract negotiations for the sale of the company's uranium production are continuing.

Quebec Mattagami owns a 10% interest in Agnew Lake Mines Limited subject to minor dilution in the event of large overruns which are not anticipated.

DESTOR TOWNSHIP, QUEBEC

No work was done on this property during 1968 although the property remains in good standing.

ST. SIMEON AREA, QUEBEC

A two month program of surface exploration failed to turn up any uranium occurrences justifying drilling and the claims in this area have been permitted to lapse.

DEBENTURES

Early in 1969 all of the outstanding 6½% income debentures were converted into 150,000 shares of the Company's capital stock.

On Behalf of the Board of Directors,

J. L. C. JENNER,
President.

Toronto, Canada,
May 28th, 1969.

QUEBEC MATTAGAMI
(Incorporated under the Laws of the Province of Quebec)

Balance Sheet — as at December 31, 1968
(With comparative figures for 1967)

ASSETS	<u>1968</u>	<u>1967</u>
CURRENT ASSETS		
Bank Balance	\$ 181.38	\$ 51.19
Interest Bearing Deposit	51,715.63	
Accounts Receivable	509.25	
	<u>52,406.26</u>	<u>51.19</u>
MARKETABLE SECURITIES at cost (Market Value 33,750.00)		
25,000 Shares T.C. Explorations Limited	52,257.81	
INVESTMENT IN OTHER COMPANY (Note 1)		
120,001 Shares in Agnew Lake Mines Limited	201,070.92	201,070.92
Mining Properties at cost (Note 2)	54,000.00	60,110.00
Buildings — at appraised value (Note 3)	4,500.00	4,500.00
	<u>58,500.00</u>	<u>64,610.00</u>
DEFERRED CHARGES		
Shaft Sinking	79,454.76	79,454.76
Exploration and Administrative Expenses per schedule	607,343.90	586,600.20
Organization Expense	1,859.65	1,859.65
	<u>688,658.31</u>	<u>667,914.61</u>
	<u>\$ 1,052,893.30</u>	<u>\$ 933,646.72</u>

AUDITORS' REPORT

We have examined the Balance Sheet of Quebec Mattagami Minerals Limited as at December 31, 1968 and the Statements of Exploration and Administrative Expenses, Deficit and Source and Application of Funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Toronto, Ontario,
February 4, 1969.

MINERALS LIMITED

(the Province of Ontario)

December 31, 1968

December 31, 1967)

LIABILITIES

	1968	1967
CURRENT LIABILITIES		
Accounts Payable	\$ 413.43	\$ 3,477.38
Directors' Fees Payable		2,300.00
	<u>413.43</u>	<u>5,777.38</u>
6½ % Convertible Income Debenture (Note 4)	<u>150,000.00</u>	

SHAREHOLDERS' EQUITY

CAPITAL STOCK (Note 4)		
Authorized 7,000,000 Shares par value \$1.00 each		
Issued Fully Paid		
2,499,500 shares	2,499,500.00	2,499,500.00
Deduct Discount thereon	<u>1,070,195.50</u>	<u>1,070,195.50</u>
	1,429,304.50	1,429,304.50
Deficit — per schedule	<u>526,824.63</u>	<u>501,435.16</u>
	902,479.87	927,869.34

Approved on behalf of the Board:

J. L. C. JENNER, Director.

J. DOUGLAS STREIT, Director.

<u>\$ 1,052,893.30</u>	<u>\$ 933,646.72</u>
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The attached Notes to the Financial Statements are an integral part of the above statement.

THE SHAREHOLDERS

In our opinion, the above mentioned financial statements present fairly the financial position of the Company as at December 31, 1968 and the results of its operations and the source and application of its funds for the year ended on that date in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

McCORMACK, PARKER and HESTER,
Chartered Accountants.

QUEBEC MATTAGAMI MINERALS LIMITED

STATEMENT OF EXPLORATION AND ADMINISTRATIVE EXPENSES

For the Year Ended December 31, 1968
(with comparative figures for the year 1967)

	1968	1967
Balance, beginning of the year	\$586,600.20	\$775,345.57
DEDUCT		
Prior Years' Exploration Expenditures on Abandoned Mining Properties — Written Off	6,162.67	6,125.85
Exploration Expenditures from 1954 to 1967 on Claims transferred to Agnew Lake Mines Limited		203,122.75
	6,162.67	209,248.60
	\$580,437.53	\$566,096.97
EXPLORATION EXPENSES		
Aerial Surveys		2,397.50
Assaying	162.00	63.25
Camp Supplies and Expense	594.97	
Engineering and Supervision	1,836.45	7,998.17
Equipment Rental	1,928.82	
Field Supplies and Expense	2,537.41	
Geophysical Surveys		2,140.00
Insurance		110.17
Maps and Blueprints	80.06	34.36
Mining taxes and Licences	972.50	3,364.50
Prospecting and Trenching	5,877.09	
Transportation	100.00	
	14,089.30	16,107.95
DEDUCT		
Current Year's Exploration Expenditures on Abandoned Mining Properties—Written Off	13,116.80	2,295.47
Current Year's Exploration Expenditures on Claims transferred to Agnew Lake Mines Limited		7,648.17
	13,116.80	9,943.64
	972.50	6,164.31
ADMINISTRATIVE EXPENSES		
Head office Services and Rent	3,600.00	3,600.00
Directors' Fees	2,100.00	2,300.00
Special Fee to the President	5,000.00	
Commission re Financing	10,000.00	
Legal and Audit Fees	4,379.31	4,290.25
Reports to Shareholders	2,085.77	2,415.02
Filing Fees and Corporations Taxes	605.96	262.41
Transfer Agents' Fees	2,171.35	1,486.89
Share Certificates	381.02	381.02
Office Supplies and Expenses	30.63	31.40
Telephone and Telegraph	1.95	44.33
Bank Charges	27.57	4.65
	30,383.56	14,815.97
	31,356.06	20,980.28
DEDUCT — Interest Earned	4,449.69	477.05
	26,906.37	20,503.23
Balance, end of the Year	\$607,343.90	\$586,600.20

QUEBEC MATTAGAMI MINERALS LIMITED

STATEMENT OF DEFICIT For the Year Ended December 31, 1968 (with comparative figures for the year 1967)

	1968	1967
Deficit, beginning of the year	\$501,435.16	\$474,503.84
ADD		
Mining Properties Abandoned	6,110.00	5,750.00
Prior Years' Exploration Expenditures on Abandoned Mining Properties	6,162.67	6,125.85
Current Year's Exploration Expenditures on Abandoned Mining Properties	13,116.80	2,295.47
Profit on Sale of 80% Interest in Mining Properties Transferred to Investment in Other Company		12,760.00
Deficit, end of the year	<u>\$526,824.63</u>	<u>\$501,435.16</u>

STATEMENT OF SOURCE AND APPLICATION OF FUNDS For the Year Ended December 31, 1968 (with comparative figures for the year 1967)

	1968	1967
SOURCE OF FUNDS		
Proceeds of Sale of Convertible Income Debenture	150,000.00	
Interest Earned	4,449.69	477.05
	<u>154,449.69</u>	<u>477.05</u>
APPLICATION OF FUNDS		
Exploration Expenses	14,089.30	16,107.95
Administrative Expenses	30,383.56	14,815.97
Purchase of Investments	52,257.81	
Acquisition cost of Mining Claims		10.00
	<u>96,730.67</u>	<u>30,933.92</u>
INCREASE (DECREASE) IN WORKING CAPITAL	57,719.02	(30,456.87)
WORKING CAPITAL (DEFICIENCY) BEGINNING OF THE YEAR	(5,726.19)	24,730.68
WORKING CAPITAL (DEFICIENCY) END OF THE YEAR	<u>\$ 51,992.83</u>	<u>\$ (5,726.19)</u>

NOTES TO THE FINANCIAL STATEMENTS As at December 31, 1968

Note 1.

Under the terms of an agreement dated January 29, 1968 the Company has agreed that it will not dispose of or otherwise deal with the shares of Agnew Lake Mines Limited without first offering them to the other party to the agreement on terms and conditions no less favourable than those on which it is prepared to dispose of or otherwise deal with them. In accordance with the terms of this agreement these shares are held in escrow subject to release on the joint written instructions of the Company and the other party to the agreement.

Note 2.

During the year 156 mining claims in the St. Simeon area, Quebec held under development licenses and carried at a cost of \$6,110.00 were abandoned.

Note 3.

Buildings are valued on the basis of an appraisal made on September 6, 1960, by Alan C. Lee, Mining Engineer. The difference between book value at September 6, 1960, and appraised value at that date has been charged to the Deficit Account.

Note 4.

Subsequent to December 31, 1968 the income debenture has been converted, in accordance with the terms thereof into 150,000 fully paid shares of capital stock at \$1.00 per share.

STUDY ON THE EFFECTS OF THE 1997-1998 EL NIÑO

IN THE NORTHWEST TERRITORIES

REPORT OF THE STUDY GROUP

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